

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EUR-12 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 IO-11 L-03 PA-01 PRS-01 /106 W

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R 301922Z JAN 76

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 4338

C O N F I D E N T I A L BUENOS AIRES 0655

E.O. 11652: GDS

TAGS: EFIN, EINV, AR

SUBJECT: ARGENTINIZATION OF ITALO-ARGENTINE ELECTRIC COMPANY:  
RECENT DEVELOPMENTS

1. IN VIEW WASHINGTON INTEREST GOA POLICIES REGARDING FOREIGN INVESTMENTS EXPROPRIATION, FOLLOWING RECENT DEVELOPMENTS IN ARGENTINIZATION OF SWISS OWNED ITALO-ELECTRIC COMPANY MAY BE OF INTEREST.

2. IN LAST DAYS DECEMBER 1975, GOA LEGAL OFFICE (PROCURADOR DEL TESORO) ISSUED DICTATE DECLARING NULL AND VOID 1961 CONTRACT/CONCESSION SIGNED BETWEEN ITALO-ARGENTINE ELECTRIC COMPANAY AND FRONDIZI GOVERNMENT. ITALO, OWNED BY SWISS, IS MAJOR PUBLIC UTILITY SUPPLYING ELECTRICITY TO BUENOS AIRES. IT WAS ONE OF COMPANIES, TOGETHER WITH SIEMENS AND STANDARD ELECTRIC, WHICH MRS. PERON ANNOUNCED WOULD BE "ARGENTINIZED" IN WIDELY PUBLICIZED ADDRESS OF OCTOBER 17, 1974. RECENT ABROGA-TION OF CONTRACT HAS RECEIVED FAVORABLE ECHOS IN NATIONALISTIC CONGRESSIONAL AND LABOR UNION CIRCLES.

3. YESTERDAY (JANUARY 29), EMBOFF MET WITH SWISS ECONOMIC COUNSELOR TO DISCUSS IMPLICATIONS AND RAMIFICATIONS OF PROCURADOR'S DICTATE. COUNSELOR EXPLAINED ITALO'S PRICES ARTICIALLY CONTROLLED  
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OVER LONG PERIOD AND FINANCIAL CONDITION OF COMPANY DESPERATE.

HE WAS INDIGNANT OVER DICTATE WHICH HE WAS CLEARLY POLITICALLY INSPIRED MOVE TO BRING ITALO TO ITS KNEES IN NEGOTIATIONS FOR SALE OF COMPANY TO GOA. GOA WANTED CONTRACT DECLARED NULL, HE SAID, BECAUSE IT CONTAINED SPECIFIC LANGUAGE REGARDING VALUATION ITALO'S ASSETS IN EVENT OF NATIONALIZATION WHICH WOULD HAVE HELPED ITALO RECEIVE FAIR VALUE FOR ITS PROPERTY.

4. ALTHOUGH NEW DEVELOPMENT HAS STRAINED ATMOSPHERE, COUNSELOR SAID NEGOTIATIONS FOR SALE OF COMPANY ARE CONTINUING BETWEEN GOA AND PRIVATE SWISS INTERESTS. ITALO'S LAWYER SAID PROCURADOR'S DECISION WAS CLEARLY ILLEGAL BUT THOUGHT THERE WAS STILL GOOD CHANCE FOR "FRIENDLY" SETTLEMENT. HE ASCRIBED SOURCE OF POLITICAL PRESSURE BEHIND DICTATE DIRECTLY TO PRESIDENT'S STRONGLY NATIONALISTIC SECRETARY, JULIO GONZALES. COUNSELOR SAID SWISS GOVERNMENT HAS AVOIDED DIRECT INTERVENTION IN ISSUE THUS FAR, BUT HE PLANNED TO RAISE ITALO SITUATION INFORMALLY WITH APPROPRIATE GOA AUTHORITIES IN NEAR FUTURE.

5. COMMENT: THIS IS UNFORTUNATE DEVELOPMENT WHICH WILL NOT HELP ARGENTINA'S IMAGE AS COUNTRY SEEKING EQUITABLE RESOLUTION OUTSTANDING FOREIGN INVESTMENT PROBLEMS.

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## Message Attributes

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